

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE

TM



COUNTY OF MADERA
COUNTY AGRICULTURAL COMMISSIONER'S OFFICE
PIERCE'S DISEASE CONTROL CONTRACT

AUDIT REPORT #08-077

FOR THE FISCAL PERIOD
JULY 1, 2004 THROUGH JUNE 30, 2007

COUNTY OF MADERA
COUNTY AGRICULTURAL COMMISSIONER'S OFFICE
PIERCE'S DISEASE CONTROL CONTRACT

FOR THE FISCAL PERIOD
JULY 1, 2004 THROUGH JUNE 30, 2007

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Cynthia Parsell, CPA

Audit Chief
Assistant Audit Chief
Audit Manager

AUDIT REPORT NUMBER
08-077

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
CONCLUSION.....	2
AUDIT OF PIERCE’S DISEASE CONTROL CONTRACT	3
REPORTABLE CONDITIONS	3
Employee Pay Rates	3
Staff Benefit Rates	3
COUNTY AGRICULTURAL COMMISSIONER’S RESPONSE	5
CDFA EVALUATION OF RESPONSE.....	7
DISPOSITION OF AUDIT RESULTS.....	8
REPORT DISTRIBUTION	9



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Robert J. Rolan
Agricultural Commissioner, Sealer of Weights and Measures
County of Madera
332 Madera Ave.
Madera, CA 93637-5499

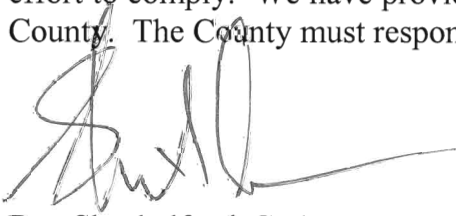
INDEPENDENT AUDITOR'S REPORT

The California Department of Food and Agriculture's (CDFA), Pierce's Disease Control Program (PDCP) requested the CDFA Audit Office to perform a contract compliance audit of three contracts with the County of Madera (County), County Agricultural Commissioner's Office (CAC). In our audit for the PDCP, we audited contract numbers 04-0383, 05-0396, and 06-0514 for the 2004/2005, 2005/2005 and 2006/2007 fiscal years

The objectives of the audit were to ensure the CAC complies with the terms and conditions of the contract. We verified the accuracy of the service invoices billed under the contract; identified the basis for discrepancies between the actual charges and billed charges; and provided information to improve the terms and conditions of the contract.

We conducted our audit in accordance with generally accepted government auditing standards for fiscal compliance as issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the billings are supported by the accounting records and are submitted in compliance with the appropriate state and federal requirements and guidelines. An audit includes examining, on a test basis, evidence supporting the amounts included on the billings. An audit also includes assessing the accounting principles used and significant estimates made by management. We limited our test of internal controls and certain general ledger accounts due to our reliance on the unqualified audit report issued by the Independent Auditors.

During our audit of the CAC's compliance with state and federal laws and regulations, we identified two areas with reportable conditions that are considered weaknesses in the CAC's effort to comply. We have provided two recommendations to improve the compliance of the County. The County must respond in writing to these findings and recommendations.


for Ron Shackelford, CPA

Chief, Audit Office

March 19, 2008



CONCLUSION

We recommend that the PDCP accept the charges as billed to the program by the County during fiscal year 2004/2005 for contract #04-0383, fiscal year 2005/2006 for contract #05-0396, and fiscal year 2006/2007 for contract #06-0514. In addition, on a go forward basis, the CAC should use the actual employee pay rates to bill the program, and adjust their staff benefit costs to agree with the actual in accordance with the requirements of the contract and Title 2 of the Code of Federal Regulations Part 225, Cost Principles for State, Local, and Indian Tribe Governments (2 CFR 225).

AUDIT OF PIERCE'S DISEASE CONTROL CONTRACT

REPORTABLE CONDITIONS

EMPLOYEE PAY RATES

A review of the County payroll documents and billing records revealed that the CAC did not always use actual hourly rates when seeking reimbursement from the PDCP for its personnel services costs. The CAC billed permanent and temporary staff at the classification's rate rather than at each employee's actual hourly rate as specified within payroll records.

According to Title 2 in the Code of Federal Regulations Part 225, "Cost Principles for State and Local Governments", (2 CFR 225), charges to Federal awards for salaries and wages will be based on payrolls documented in accordance with the generally accepted practice of the governmental unit. Additionally, budget estimates or other distribution percentages determined before the services were performed do not qualify as support for charges to Federal awards.

Recommendation

1. The CAC should comply with 2 CFR 225 by ensuring the hourly rate billed to the PDCP reflects the employee's actual hourly rate rather than the classification's rate.

STAFF BENEFIT RATES

2 CFR 225 states that the cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance; pension plan costs; and other similar benefits are allowable provided such benefits are granted under established written policies. Such benefits, whether treated as indirect costs or as direct costs, shall be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group of employees whose salaries and wages are chargeable to such Federal awards and other activities.

If the CAC uses a flat percentage rate for benefits, it should be based on some reasonable averaged basis. Two different methods that are commonly used for determining an acceptable rate are: (1) a simple average for the Agriculture Department on a whole, and (2) a modified weighted average based on classifications billed to the Program. Both of these methods use prior year actual expenditures in their percentage calculation.

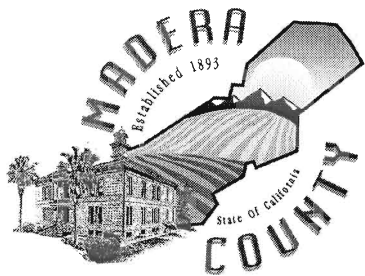
The CAC's current method of billing the program for staff benefits does not comply with existing federal requirements. The CAC used a staff benefit rate of 40% for permanent employees and 10% for temporary employees for each of the three fiscal years, with no supporting documentation or explanation of how the rate was calculated.

In addition, the application of the rate between permanent and temporary employees was not correct. Some of the CAC's seasonal workers are entitled to staff benefits, after working a specified number of hours. These Extra-Help employees were grouped with the Temporary Employees and billed at the lower rate, when these employees were actually receiving staff benefits. This resulted in the CAC under-billing the program for staff benefits in each of the three fiscal years.

Recommendation

2. *The CAC should comply with 2 CFR 225 by ensuring the staff benefits rate billed to the program is properly supported by using actual costs.*
3. *The CAC should properly classify employees and apply the appropriate staff benefit percentage to their salaries. This will mitigate the CAC under billings on future invoices.*

COUNTY AGRICULTURAL COMMISSIONER'S RESPONSE



Madera County Department of Agriculture Weights and Measures

Robert J. Rolan, Agricultural Commissioner
Sealer of Weights and Measures

Jay Seslowe, Assistant Commissioner/Sealer

May 15, 2008

Ron Shackelford, CPA
Chief, Audit Office
State of California
Dept. of Food and Agriculture
1220 N Street, Room 344
Sacramento, CA 95814

Re: Audit Report #08-077

Dear Mr. Shackelford,

I have received the preliminary draft of the audit conducted by Cynthia Parsell, March 17, 2008 through March 19, 2008. The audit focused on the Madera County Agricultural Commissioner's Pierce's Disease Control contract for fiscal period July 1, 2004 through June 30, 2007.

On pages 3 and 4 of the report, three recommendations were made to assist my department in complying with 2 CFR 225 and CDFA policies. Please be advised that those recommendations, also presented to us by Ms. Parsell at our exit conference on March 19, 2008, were immediately implemented and applied to the December 2007 invoice which had not yet been submitted.

I appreciate the professionalism that your auditor exhibited in reviewing my department's records and in her communication with my administrative analyst. Surprisingly, the audit revealed that my department had *undercharged* the PDCP \$14,129.24 over the course of the reviewed fiscal period. Thus, your recommendations will ensure a more accurate assessment of our county costs in the future. Lastly, please note that the page entitled "Independent Auditor's Report" erroneously identifies Madera County as San Benito County.

Sincerely,

A handwritten signature in purple ink that reads "Robert J. Rolan".

Robert J. Rolan
Agricultural Commissioner/
Sealer of Weights and Measures
rrolan@madera-county.com
559-675-7876

CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the Madera County Agricultural Commissioner, Madera, California, for its review and response. We have reviewed the response and it addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this audit report are based on fieldwork that my staff performed between March 17, 2008 and March 19, 2008. My staff met with management on March 19, 2008 to discuss the findings and recommendations, as well as other issues.

This audit report is intended solely for the information of the California Department of Food and Agriculture and the County Agricultural Commissioner. However, this report is a matter of public record and its distribution is not limited.

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	Agricultural Commissioner
2	State Coordinator, Pierce's Disease Control Program
1	Liaison, County/State Relations
1	Chief Counsel, CDFA Legal Office
1	Chief, Audit Office